

FACT SHEET

EX-IM BANK'S NEW FLEXIBILITY FOR PROJECT FINANCE TRANSACTIONS

On September 1, 1998, new rules were implemented for project finance transactions for Participants to the OECD Arrangement. The new rules allow Ex-Im Bank to provide more flexible loan repayment terms to match a project's revenue stream. Thus, project finance transactions can be structured with tailored repayment profiles, more flexible grace periods, and more flexibility on total repayment terms.

Ex-Im Bank implements the new flexibilities on a case-by-case basis for qualifying project finance transactions. Generally, extended grace periods or repayment terms must be justified by project cash flows or project considerations specific to certain industry sectors. For example, extended grace periods and back-ended repayment profiles may be justified for telecommunications projects but are likely not appropriate for power plants. The new flexibilities are in effect for a three-year trial period which began on September 1, 1998.

The new rules allow for the following:

- Full flexibility for setting a project's grace period, repayment profile, and maximum repayment term, subject to a maximum average life of 5.25 years; or
- The extension of a project's average life up to 7.25 years, subject to constraints for setting a maximum grace period of 2 years and a maximum repayment term of 14 years.

The new flexible terms are subject to the following additional constraints and/or considerations:

- If the project's repayment term extends beyond 12 years, 20 basis points are added to the CIRR Rate for direct loans.
- Interest cannot be capitalized post-completion.
- The flexible terms are only offered in High-Income OECD markets with additional constraints.
- The average life allowed under the new flexible terms will be taken into consideration when meeting the Minimum Premium Benchmark fees required as of April 1, 1999.

MORE INFORMATION

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